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# **China, Peoples Republic of**

## **Exporter Guide**

### **Annual**

### **2003**

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#### **Report Highlights:**

**An update of South China's Exporter Guide. Update for FY2004.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Annual Report  
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## South China's Exporter Guide

1. South China covers four provincial-level jurisdictions -- Guangdong, Fujian, Hainan, and Guangxi - an area of 220,000 sq. miles. In 2002, this region has 175 million residents and a \$213 billion economy. The Special Administrative Regions of Hong Kong and Macau are each about 94 miles from Guangzhou (the capital of Guangdong), along the Pearl River.
2. Guangdong is the leading urban market in China. In terms of disposal income of the urban residents, it is 1 1/2 times that of Shanghai and 3 times that of Beijing. Shanghai is for finance and investment (China's New York). Beijing is for politics and culture (China's Washington, DC). Guangzhou is for trade and business (China's Los Angeles). "If you come to China and you don't come to Guangzhou, you didn't come to China to do business." Secretary Ron Brown, Commerce.
3. The South China region is primary a trading center and its primary "trading partners" are the overseas Chinese. It has an extensive network of light industries among which are food processing and furniture making. Its potential strength is in services.
4. In addition to being famous for innovative and entrepreneurial, this region is notorious for some of its "peculiar business practices." Almost every businessman in the Special Economic Zones and Guangzhou is in a hurry to make a buck and interested in safe haven. Business people and bureaucrats met with a new situation, tend to think and live within "the box." Granddaddy knows best is still the norm. Government by slogans.
5. China as a WTO member makes import more difficult than before. Tariff is down but other barriers such as product value assessment and SPS issues are up. Rule of law takes time. The normative practice is selective enforcement and local discretion. "Policy from above; coping from below."
6. Most Southern Chinese traders are people of low profile paying little or no attention to image. "Don't show off your wealth." (Cai bu lu yan) Billionaires tend to dress down rather than smartly. Traders who talk loudly have little substance. Those who have substance are usually quiet and practically invisible.
7. The prudent among Chinese business people believe there is more money to be made than anyone can make and no one can make all the money. Therefore, they do not mind using middleman and cultivating guanxi (relationship, connection) to get things done.
8. Chinese guanxi is similar to US networking with more complexity and subtlety. It takes time to cultivate guanxi of which the most important are classmates, comrades in military service, relatives, and "old friends." Anyone who tells you guanxi is not important for doing business in China does not know what he/she is talking about. "Giving face" is the essence of social relationship.
9. The real barriers to bilateral trade between China and the US are people problems: mutual lack of knowledge of each other's products and business practices. Chinese do not know US product sources and contract practices. US exporters do not know the Chinese market, especially its sales and

distribution channels and customers' preferences.

10. It takes people to resolve people problems. Face to face contacts are the most effective ways. It is extremely difficult for Chinese to visit the US due to visa scams and homeland security. It is relatively easy for Americans to visit China. To enter the China market, you need to come to South China. Come prepared. Establish the price range of your products. Print your business cards and product information in Chinese and English. Do your homework on the China market. Learn the Chinese language. Do not over-rely on your local agents. Be prepared to host Chinese visitors in the US.

11. For Americans to penetrate the South China market, they need to find a local partner as importer, distributor, or agent. Going solo is likely to bring headache or failure. Look for someone with a proven record (reputation, business registration, taxation and health certificates) in a specific business and with a sales and distribution network. Not just an investor with money (but money is important, therefore, check the local partner's bank account and credit history.) Follow the advice of your local partner but use your common business sense. Don't know suspend your American sense. If it is too good to be true, it is too good to be true.

12. Use your partner to take care of in-country cash transactions (cash flow and credit for retailers), customs duties, VAT, in-country transportation and storage of products, insurance, quarantine, and marketing the products.

13. Basics: Test the market to assess its acceptance of your products (Use ATO Guangzhou's Product Assessment Support Service). Establish reasonable and realistic expectation. Plan for the long haul. Build your reputation with quality products and reliable supply. Join the trade missions and trade shows of your trade association. Be present in China regularly.

14. Chinese buyers (your partners) expect good (reasonable) prices and high quality, support for advertising and promotion, reliable supply and services from US home office, and equitable compensation for services rendered to you. Don't let greed make you undercut or sabotage your partner.

15. South China wants to import investment, technical know-how, best business practices (customer service, post-sale service), equipment and technology. Raw materials or customer ready products are second choice, but still in demand.

16. America is just one of the key players in the South China market. Our competitors include Australia, Canada, France, New Zealand, Norway, the Netherlands, Japan, and the Southeast Asian countries such as Thailand, Philippines and Vietnam. If America does not safeguard its market share, the competitors will take it.

17. Products with the best prospect are consumer goods, health food and beverage, flower bulbs, seedling and nursery products, food for infants, nursing mothers, school children, and older people. Pasta and sauces. Nuts and snacks. Fresh fruit. Red Meat and Poultry Meat. Dairy products. Salmon and crabmeat. Pet food.

18. To arrange for on-site meeting with South China traders and to participate in local activities, contact Agricultural Trade Office (ATO) at 011 8620 8667 7553 (voice) or 011 8620 8666 0703 (fax). Use the services of the Trade Office.

19. Current information on the South China market and reports on the food processing sector, the hotel and restaurant sector and the retail business sector are available from the Trade Office's website at [www.atoguangzhou.org](http://www.atoguangzhou.org).

20. Visit FAS website [www.fas.usda.org](http://www.fas.usda.org) for current information on China. Talk with those who have served in China for inputs to your business plan.